and qualifications, and that employees shall not be subjected to any "political test."

Prior to the gala, the President heard reports that employees in General Services were protesting that the heat was being placed on them by their officials to buy tickets to it. He ordered Budget Director Kermit Gordon to investigate and to stop any pressure tactics.

Later, Mr. Johnson was assured, in effect, that the reports were exaggerated but employees there insisted the pressure let up only briefly.

## SOCIAL SECURITY AMENDMENTS

(Mrs. DWYER (at the request of Mr. ROUDEBUSH) was granted permission to extend her remarks at this point in the RECORD and to include extraneous matter.)

Mrs. DWYER. Mr. Speaker, the Committee on Ways and Means has, in my judgment, brought us an excellent bill in the Social Security Act amendments of 1964, and I am greatly pleased to be able to support it.

Despite the questions that are sometimes raised and the doubts that some express about social security, this huge contributory insurance system has served us well. At a time like this, when we meet to improve it and bring it up to date, it is impossible to conceive how we could ever get along without it. While social security was never intended to provide the total income of a person during his retirement years, for many of our older people it comes close to doing just that—and hence it stands as the indispensable source of survival and self-respect. For many others, social security provides that marginal, but vital, income which means the difference between bare existence and reasonable comfort in the years of retirement.

So when we discuss social security, Mr. Speaker, we are considering more than the administrative framework of a huge bureaucracy or the impersonal figures of endless accounts. We are talking about people—people with special needs and limited resources, people who often cannot, for reasons of age or dependency or disability, meet those needs from other sources of income.

With passage of this bill, Congress will take another important step toward keeping the social security system as contemporary as possible in terms of people's changing needs. By increasing the amount of benefits received by persons eligible for old-age, survivors, and disability insurance, we shall be helping, at least a little, to counter the creeping rise in the cost of living. And by extending the benefits of social security to hundreds of thousands of widows, dependent children, and persons over 72 who would otherwise not receive them, we shall be recognizing the particular needs of people in special circumstances.

As I look at this bill, Mr. Speaker, I am especially pleased at the following provisions:

First, the increase in benefits. For families, the maximum social security benefit will be raised to $300 a month when the bill becomes fully effective. For individuals, the minimum benefit will be increased from the present $40 a month to $42, while the maximum benefit will go up from $127 to $143.40. This represents a 5-percent across-the-board increase in benefits, approximately the level by which the cost of living has gone up since the last such adjustment was made in 1958.

Second, the liberalizing of eligibility requirements for certain persons 72 or older. This provision will provide limited benefits for many people in this age group who have too little social security coverage to qualify for benefits under existing law. About 600,000 persons will qualify under this new provision. In the case of workers or their widows, the benefit will be $35 a month; for wives of workers, it will be $17.50.

Third, the payment of benefits to children between 18 and 22 so long as they continue their educations. Under present law, benefits for dependent children stop at age 18, unless a child is disabled, a situation which has tended to discourage or prevent many young people from going on with their educations. It is estimated that this provision will help about 275,000 boys and girls to stay in school—an excellent investment in the future.

Fourth, the provision of benefits for widows at age 60. While widows' benefits are presently payable at age 62, many widows who have lost their husbands and are unable to work need the assistance of social security at an earlier date. By giving widows in such a situation the option of claiming benefits at age 60, at a reduced level, the bill introduces an important element of flexibility which can help relieve much hardship.

To pay for the new and increased benefits, Mr. Speaker, the legislation now before us provides for a small increase in the present social security tax rate together with an upward adjustment in the earnings base from $4,800 a year to $5,400. By general agreement, however, this is a most reasonable price to pay for the extensive improvements the bill makes possible, and it will keep the social security trust fund solvent.

None of us, Mr. Speaker, will claim the bill is perfect, or that it will solve all the problems of our older people. Many of us feel that the benefits might have been increased somewhat more, or the present earnings limitation be liberalized, as legislation we have long introduced would provide. But the bill will help those on limited incomes keep up a little better with the cost of living. And it will help make social security more fair and humane and more responsive to the special needs of widows and children and it will bring new benefits to many who need them but have never had them.

For these reasons, Mr. Speaker, I strongly support the bill.

## IS THERE A DEAL?

(Mr. HOEVEN (at the request of Mr. ROUDEBUSH) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. HOEVEN. Mr. Speaker, the Senate yesterday passed H.R. 1839, a bill to restrict the importation of beef, veal, lamb, and muttton, into the United States.

It is rumored that this whole procedure is a hoax and a subterfuge whereby the bill now having passed the Senate will be permitted to die in the House of Representatives because the Johnson administration is opposed to its enactment. It is said that the bill was passed in the Senate in order to bail out certain Democratic Senators from cattle areas who were in deep political trouble on account of low cattle prices and that now the bill will be permitted to die in the House in order to satisfy the administration. A neat deal if it can be accomplished.

I want to serve notice right here and now that those of us from the cattle feeding areas of the country intend to press vigorously for the passage of this bill in the House before Congress adjourns. If the bill is permitted to die in the House of Representatives as a result of political maneuvering, the blame should be placed on the Johnson administration where it belongs.

Foreign Aid

## FOREIGN AID AND THE BALANCE OF PAYMENTS

S. 1276

(Mr. CURTIS (at the request of Mr. ROUDEBUSH) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. CURTIS. Mr. Speaker, as a member of the Joint Economic Committee, which has been conducting a study of the continuing balance-of-payments problem, I have had a deep concern over the adverse effect of foreign aid spending on the U.S. balance-of-payments position. Although much of our aid spending has been tied to purchases in the United States, there is little doubt that this program continues to contribute substantially to our deficit position.

This point of view was supported in an article entitled "How Aid Could Be Untied," in the July 25 issue of the Economist. The article outlined a proposal designed to ease the adverse impact of aid spending on a nation's balance of payments. I believe that this proposal should receive a thorough review by our AID officials and have written David E. Bell, AID Administrator, requesting that such an evaluation be made, if it has not already been done. When I receive Mr. Bell's reply, I shall insert it in the CONGRESSIONAL RECORD for the information of those who are interested in seeking a solution to the balance-of-payments problem.

Under unanimous consent, I include a copy of my letter of July 30 to Mr. Bell, as well as a copy of the article from the Economist, in the RECORD at this point:

HOUSE OF REPRESENTATIVES,
*Washington, D.C., July 30, 1964.*

Hon. DAVID E. BELL,
*Administrator, Agency for International Development, Washington, D.C.*

DEAR MR. BELL: I want to call your attention to the attached article entitled "How Aid Could be Untied," from the July 25 edition of the Economist.

As a member of the Joint Economic Committee, which has spent a good deal of time looking into the Nation's continuing balance-of-payments problem, I have been deeply concerned about the adverse impact of foreign aid on our international balance-of-payments position. One response to this problem has been the tying of U.S. aid which, as the attached article points out, "considerably weakens the quality and effectiveness of aid."

This article from the Economist discusses a proposal put forward by a Japanese economist, Kiyoshi Kojima, which is designed to eliminate a major element in balance-of-payments disturbances arising from the leakage from grants, loans, and military expenditures granted by one country to another, but spent in a third. The Economist notes that this familiar transfer problem has in a sense been the root cause of the American balance-of-payments difficulties in recent years. The article goes on to say that even if one assumes that, given the tying of loans that prevailed, only 20 percent of the outflows of private capital, Government grants, and military spending were spent in third countries, this leakage would itself account for a major part of America's net balance-of-payments deficit. Mr. Kojima's proposal is designed to overcome these transfer difficulties.

If your Agency or another agency of the Government has not yet evaluated this proposal, I think it would be highly useful if it were to be done. I would very much appreciate your sending me a copy of such an evaluation so that I may insert it in the CONGRESSIONAL RECORD and see that it is distributed, along with the Kojima proposal, to a number of economists who have been concerned with means of improving the Nation's balance-of-payments position.

With very best wishes.

Sincerely,

THOMAS B. CURTIS.

[From the Economist, July 25, 1964]

HOW AID COULD BE UNTIED

(Commonwealth countries have been urging that less aid should be tied. Here is a new scheme that would permit this without overstraining the lenders and without a complicated international agreement.)

Much thought has been given in recent years to ways of taking development aid out of the balance of payments, but no fully satisfactory solution has yet been found. The crude and most widely used expedient has been to tie aid to expenditures on the donor's own exports, a practice that has inevitably become more widespread in recent years as the United States, the main provider of aid, has had to watch its own payments balance. This expedient, as is widely recognized, considerably weakens the quality and effectiveness of aid, in that it may oblige the recipient country to equip itself with uncompetitive or unwanted products. Yet given the worldwide pressure on payments balances, which must be expected to persist in one form or another until major reforms are undertaken in the provision of international liquidity, no major country can realistically be expected deliberately to court a loss both of exports and of exchange reserves by providing significantly more aid in untied forms. Yet internationally this balance-of-payments constraint on aid giving is an artificial one, since for the industrial countries together the granting of aid, which is spent on their own industrial equipment, should not cause any deterioration of their payments balances as a whole.

How then can the artificial restraint be removed? One effective way would be to create special international aid certificates to be channelled through the International Development Association, on the lines suggested by Mr. Maxwell Stamp; but this has little chance of being accepted internationally at present. It is worth considering therefore a more modest expedient, building on proposals put forward by a Japanese economist, Prof. Kiyoshi Kojima. This scheme would be comparatively simple; and it would not be dependent on laborious international negotiation. It could be implemented by any one major provider of aid, or by a regional group of aid-givers.

The underlying premise of the Kojima proposal is that a major element in balance-of-payments disturbances is the leakage from grants, loans, and military expenditures granted by one country to another but spent in a third. This is the familiar transfer problem that dogged German reparations after the First World War and was the center of the famous academic dispute between Keynes and Ohlin, and which has in a sense been the root cause of the American balance-of-payments difficulties of recent years. Even if one assumes that, given the tying of loans which prevailed, only 20 percent of outflows of private capital, Government grants, and military spending were spent in third countries, this leakage would itself account for the major part of America's large net monetary deficit. To bridge these transfer difficulties, Mr. Kojima makes the following proposal:

1. When country A provides country B with long-term investment, loans or grants, country B deposits 10 percent (or more) of the borrowed money with the International Monetary Fund. This deposit will be called lent A currency—lent dollars, lent sterling, lent French francs, etc.

2. The lent currency is convertible into any other international currency, and one kind of lent currency (say lent dollars) can be exchanged for another (say lent marks). It is not, however, convertible into gold.

3. Thus the lent currency, once it is deposited by the borrowing country at the International Monetary Fund, may be used for payments to third countries for imported goods and services. It can then circulate in the international market as other international currencies do and will ultimately fall into the hands of the net surplus countries.

4. The effect of the scheme is then to prevent these surplus countries from using these proceeds of other countries' capital exports to add to their gold reserves, but to oblige them instead to hold these receipts in the form of a claim on the original donor. The claim would bear interest at modest rates and would also be guaranteed in gold value.

5. There should be a natural tendency for these claims to be liquidated in the course of time as the loans granted by the original donor are repaid to it. If, as a result, the donor country becomes a surplus country in world payments, it will be the final recipient of the lent currency it originally granted which will then be automatically liquidated. In this way the lent currency will bridge transfer difficulties at both points of time, easing the strain on the lending country when granting the loans originally and, later, easing the strain of its surplus as it is being repaid.

It is possible, of course, that international payments will not run so smoothly and that a third country, C, will again be in balance-of-payments surplus in the course of return flows to country A. In this case, country C would have no natural opportunity for liquidating its net holdings of lent currency and indeed might be offered further amounts in settlement of its payments surplus. In this case the onus of decision should be on the persistent creditor; it could if it wished accumulate lent currency further, providing more credits at its own volition. Alternatively, if it declines to offer more credits in this way, it could refrain from accepting orders that were to be remunerated in lent currency. Such abstinence would presumably fit in with its desire to avoid excessive demands on its domestic economy.

The singular virtue of this scheme is that it could be inaugurated and carried through on the initiative of the original lending country, rather than being dependent on agreement within the IMF or another international organization. Even the provision for the deposit with the IMF, while desirable as a step toward the international centralization of reserves, is not absolutely central to the scheme: the 10 percent or more could equally be deposited in special certificates with the donor's own central bank. This is a scheme for expanding international liquidity on national initiative; and for moving toward more effective aid policies without involving either undue stress on the balance of payments or really radical international action, of a kind that will doubtless still ultimately be needed.

Admittedly, the scheme will still not remove aid entirely from the balance of payments. If a lending country replaced its present tied aid by loans partly in this special lent currency, the effect would still be a temporary deterioration in the balance of payments—but the deterioration would be financed by a new paper claim that would have to be held by the creditor rather than converted into gold. The Kojima plan itself would probably have to be modified to disallow conversions of lent currency into other currencies as well as into gold, since otherwise it could involve, say, speculative conversions of lent sterling into dollars, at the expense of Britain's reserves. The lent currency should still be available for spending in any country: but the recipient country would have to hold it, or spend it, not convert it.

The more countries ready to join in the scheme, and replace tied loans by loans that could be spent anywhere but at the gold conversion desk, the smaller would be the effect on the balance of payments itself. This would be just the right start for a regional approach to liberalization of aid by, say, the countries of the European Free Trade Association and the United States, as has been suggested in these columns before. If Sir Alec Douglas-Home and Mr. Maudling are really looking for a way to break through the aid impasse they should put their officials on to it right away.

## DR. ARTHUR F. BURNS WARNS AGAINST OVERHEATING THE ECONOMY

(Mr. CURTIS (at the request of Mr. ROUDEBUSH) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. CURTIS. Mr. Speaker, Dr. Arthur F. Burns has made an important contribution to the discussion on the outlook for the economy in light of the tax cut in a recent speech at Oregon State University. Dr. Burns, who is former Chairman of the Council of Economic Advisers under President Eisenhower, president of the National Bureau of Economic Research, and professor of economics at Columbia University, added a welcome note of caution to a discussion that is increasingly dominated by the unrestrained economic optimism emanating from the White House. As Dr. Burns points out in his speech, excessive optimism is running strong in our Nation and is one reason why the country may well be on the threshold of a boom that could very well prove dangerous to our economy.

Although Dr. Burns applauds the passage of the recent tax cut and acknowledges that it will prove beneficial to the economy over the long run, he stresses that prudence requires a recognition that the tax cut may prove a mixed blessing over the next year or two. Citing a num-